

# INDUSTRY UPDATE

Biweekly Period Ending June 1, 2002

## Phoenix Metro Area

### *Trade*

An icon in **Valley** and **Arizona mall development** was **sold** for nearly \$1.5 billion in late May. **Macerich Co.** of Santa Monica, Calif., **purchased Westcor Realty**, developer and owner of eight malls throughout the state (including recently opened Gateway Mall in Prescott and Chandler Fashion Center) and dozens of Phoenix-area shopping centers. Westcor was formed more than three decades ago by three local real estate developers who have been able to create unique and highly profitable properties that enjoy average-sales-per-square-foot rates much higher than the national average. Macerich is one of the 10 largest owners of malls in the country.

In related news, Westcor-owned **Superstition Springs Mall** in east Mesa will undergo a **\$2.7 million make over** and **other changes**, while **Home Depot** will **open** its **first Expo Design Center** in Arizona at Westcor's planned **Scottsdale 101 shopping center** in northeast Phoenix. In addition to the make over — which includes giving the 12-year-old mall a more upscale look — the shopping center will **add 50,000 square feet of space**, allowing it to **add about 10 stores** to its current total of 130. Also, the Superstition Springs' **Disney Store**, one of five in the Valley, is among 150 locations nationwide **closing** because of subpar performance. Renovations at the mall are expected to be completed by November. ... The 100,000-square-foot **Expo store**, which sells a variety of home furnishings (excluding furniture), will **anchor 600,000 square feet of retail space** on 70 acres at Scottsdale Road and Loop 101. **Scottsdale 101** will also **feature a**

**20-screen Harkins Theater**, plus as-yet-to-be-named sporting-goods, electronics, and furniture stores.

**RMB Enterprises** plans to **open** about a **dozen Seattle's Best Coffee locations** in the Valley within the next year-and-a-half. A bitter (not taste wise) rival of Starbucks, also based in Seattle, the chain already has one store at the Chandler Fashion Center in Chandler and will shortly **open stores in Ahwatukee, Mesa, and Gilbert**. If coffee isn't your cup of tea, the stores will also feature a wide variety of pastries.

Another hot, rather "cold" franchise, is Scottsdale-based **Cold Stone Creamery**, which is eating its way into the hearts of customers across the country. Now 250 franchise stores strong and **projected to grow to 1,000 stores by 2004**, the 14-year-old chain's **65 administrative employees** are currently **searching for larger quarters** than their current home at Scottsdale Airpark. **Two new east Valley stores** were expected to **open in June** — one at Gainey Village in Scottsdale and another at Arizona State University in Tempe.

### *Services*

To provide more flexibility in its workforce during periods of strong and slack demand, a Bloomington, Minn.-based software company said it will **lay off** about **150 software developers** at its **Mesa operation** over the **next several months**. **NCS Pearson**, which employs about 6,000 worldwide and 400 locally (prior to the layoffs), said it will **farm out** the software-development **jobs to an India subcontractor**, which in turn will hire workers on a temporary and contract basis. Partly offsetting the job loss, NCS Pearson —

which develops software for educational, government, and data-management tasks — said it is **hiring 30 new software engineers in Mesa for a different project.** Some of those being laid off will likely be hired for those positions.

About **40 former employees of Arthur Andersen's Valley operations** have been **hired** by "Big 5" accounting competitor **Deloitte & Touche.** Andersen has lost most of its major corporate accounts in Arizona — and laid off an unspecified number of its 500 Phoenix-area employees — since its involvement with the Enron financial scandal became known earlier this year (see May 4, 2002, *Industry Update*). Deloitte & Touche now employs about 200 people at its Phoenix office (Central Avenue and Thomas Road).

The **brother of actor James Earl Jones** — who is famous for his voice as Darth Vader of "Star Wars" fame — is **bringing his Los Angeles production company and potentially scores of jobs** (e.g., actors, caterers, movie crews) **to Phoenix.** Lured by good weather and cheaper production and labor costs, Mathew Earl Jones said his **Blacktop Films LLC** is involved with making **television shows and full-length feature movies.** Jones plans to also **hire a local staff.** May the force be with him.

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## **Tucson Metro Area**

### ***Manufacturing***

**IBM's Storage Systems Division** in Tucson will share in its parent company's pain, **absorbing about 70 of the 2,000 layoffs nationally** announced by the computer giant in late May. With around 1,600 people, the Tucson unit will lose about 3 percent of its workforce. Some of those laid off will have an opportunity to apply for jobs created by a recently announced multi-year business alliance with Hitachi Ltd. of Japan to shorten the time to build the next generation of storage devices (see April 20, 2002, *Industry Update*).

**Work began** in mid-May on a 72,000-square-foot **addition** to the **University of Arizona Science and Technology Park** (Interstate 10 and Rita Road), home to 32 high-tech companies employing 6,200 people. An **\$8.2 million office building,** expected to open in summer of 2003, will be the **first** of a **three-part expansion** to the 1,345-acre research park. The **second and third phases** will **include** a 250- to 300-room **hotel and laboratory building.**

A neighbor of the research park, **Slim-Fast Foods,** expects to **open** a 550,000-square-foot **plant** in **early July** with a **staff of 70 workers.** The diet-food maker, which chose Tucson over several other western cities for its second U.S. manufacturing facility, plans to **eventually employ 170 people** at the \$100 million plant. Pay will range from \$11.70 an hour for warehouse workers to \$49 an hour for managers. Slim-Fast is a subsidiary of Unilever, a Dutch/British consumer-goods conglomerate that also owns Ben & Jerry's ice cream, Lipton tea, and Hellmann's mayonnaise.

### ***Trade***

**Work is progressing** on a 55,000-square-foot **Safeway grocery store** in **Sahuarita** (Duval Mine Road and La Canada Drive), about 10 miles south of Tucson, while **Wal-Mart** is **expected to expand** its **existing** 71,000-square-foot **store** on the east side of Interstate 19 **into a "supercenter."** The Safeway, which is expected to open in late August or early September, will be part of a 366,000-square-foot parcel that will also include a Safeway service station and other retail stores. As of late May, it appeared Wal-Mart was going ahead with plans to build a 150,000- to 160,000-square-foot store.

### ***Services***

Also in Sahuarita, owners of the three-year-old **Civano Nursery Garden Center** hope a \$3 million investment will "make money grow from trees" and in the process **create 80 jobs** for local residents. When the 70-acre **Civano Nursery Sahuarita Farm** is completed over

the next two years, the company expects to **harvest 50,000 trees** for local builders and homeowners who now obtain their landscaping from the Phoenix area. Using a drip-irrigation water system that needs about one-third less water than normal to grow trees, the tree farm will be located in two 190,800-square-foot, computer-controlled warehouses.

To help its customers adapt to a 21<sup>st</sup> century economy, **Goodwill Industries of Southern Arizona** has expanded its mission beyond selling used clothing. The 100-year-old organization now **offers** 120 hours of **free training** for the **teleservices industry** to individuals who are **unemployed or underemployed**. In most cases, graduates of the training will be offered a job with a local call center. To qualify for the program, participants must also have a high school degree or a GED and be able to read and write at an 8th-grade level. For more information about the program, call 520-623-5174 or visit the organization's web site: [www.aappd.com/statesetaside/providers/goodwill\\_industries.htm](http://www.aappd.com/statesetaside/providers/goodwill_industries.htm).

**Tucson's largest midwife practice** was expected to **lose its home** due to the **shut-down** of the **Birth & Women's Health Center** in **early June**. After relinquishing its contract with Health Net — because the health insurer wanted to cut fees by 15 percent — the women's center was not able to financially recover. About 20 percent of the center's patients used Health Net. The 20-year-old facility has delivered about 5,000 babies, costing patients about half as much charged by local hospitals.

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### **Balance of State**

#### ***Construction***

**Granite Investment & Development LLC**, headed by two former Del Webb presidents, plans to **build a 1,200-home master-**

**planned community in Chino Valley** (north of Prescott). Granite will ask local and national builders to participate in the project. No start date has been given for development of the community.

#### ***Trade***

A **California developer** involved with several other Yuma projects plans to **buy and double the size of Southgate Mall**. **Craig Clark**, who is currently developing the city's municipal complex and expects to work on Yuma's riverfront project, **wants to purchase the 275,000-square-foot mall from Melvin Simon and Associates** by Sept. 1. The 30-year-old mall, which underwent a \$5 million remodeling in 1993, would see a **number of new stores**, in addition to the **expansion of existing chain stores**, such as Dillard's, J.C. Penney, and Sears.

#### ***Services***

**Work has begun on expansion of the Riverside Resort Hotel and Casino** in Laughlin, Nev., which is across the Colorado River from Bullhead City, Ariz. The **project includes** a two-story, **20,000-square-foot addition** to the **hotel's casino** and a **190,000-square-foot covered parking garage**. Work is expected to be completed late this year or in early 2003.

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## *INDUSTRY UPDATE*

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